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BEFORE THE
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

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In the Matter of)
)
Amendments of Part 69)
Allocation of General) CC Docket No. 92-222
Support Facility Costs)

COMMENTS OF THE PUBLIC SERVICE COMMISSION
OF THE DISTRICT OF COLUMBIA

The Public Service Commission of the District of Columbia (D.C. PSC), pursuant to section 1.415 of the rules of the Federal Communications Commission (FCC), 47 C.F.R. § 1.415, hereby comments on the FCC's Notice of Proposed Rulemaking (NPRM),^{1/} which proposes to amend the Part 69 allocation of general support facility (GSF) costs.

I. INTRODUCTION

On September 17, 1992, the FCC adopted a report and order which requires that Tier 1 local exchange carriers (LECs) offer expanded interconnection to all interested parties so that high volume users can terminate their own special access transmission facilities at LEC central offices. Id. at paras. 47-68. The order requires the LECs to offer physical collocation to all interconnectors that request physical collocation. Id. at paras. 59-68. In light of the increased competition that is expected from the decision, the FCC granted Tier 1 LECs additional special access pricing flexibility. Id. at paras. 164-186.

^{1/} In the Matter of Amendment of the Part 69 Allocation of General Support Facility Costs, Notice of Proposed Rulemaking, CC Docket No. 92-222, FCC 92-440, released October 19, 1992.

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Although the FCC stated that it believes that all market participants should contribute to regulatorily mandated support flows reflected in the LECs' rates for services subject to competition, the FCC determined that it would not implement a contribution charge at this time. Id. at para. 143. Instead, the NPRM proposes to assign a portion of GSF costs to investment in subscriber lines, thereby eliminating the only support flow that appears to warrant a contribution charge. Id. at para. 267. Accordingly to the FCC, GSF costs are currently under-allocated to the common line category and over-allocated to other access categories, including special access and transport, because section 69.307 excludes GSF costs from Category 1.3, the investment in subscriber lines. Id. By eliminating language that excludes GSF costs from Category 1.3, the FCC has eliminated any need for a contribution charge in relation to GSF, but would increase the carrier common line revenue requirement. The effect of this proposed change would be to increase subscriber line charges (SLC) in those jurisdictions where the SLC is below the \$3.50 cap or the multi-line business SLC is below the \$6.00 cap. Id. at n. 627.

**II. THE D.C. PSC OPPOSES ASSIGNING GSF COSTS TO
COMMON LINE RATE ELEMENTS**

The D.C. PSC opposes the FCC's proposal to assign GSF costs to common line rate elements because it would increase the subscriber line charge for District of Columbia ratepayers and could have a detrimental impact on universal service in the District of Columbia. While this proposed subscriber line charge increase may appear to be insignificant, it follows numerous rule changes

instituted by the FCC and the cumulative impact of these rule changes have dramatically increased rates for telephone service in the District of Columbia.^{2/}

The D.C. PSC submits that there is a direct correlation between these rule changes and the significant decline in the

^{2/} For example, the FCC's decision to allocate non-traffic sensitive loop costs based on a 25 percent gross allocator is currently forcing District of Columbia ratepayers to pay an 8.5654 percent subscriber plant factor (SPF) surcharge. In the Matter of Amendment of Part 67 of the Commission's Rules and Establishment of a Joint Board, CC Docket No. 80-286, 96 FCC.2d 781, 786-791 (1984). According to The Chesapeake and Potomac Telephone Company (C&P), it is necessary to raise the SPF surcharge to 9.8556 percent in 1993 so that C&P can recover costs formerly assigned to the interstate jurisdiction. See Formal Case No. 828, Request of The Chesapeake and Potomac Telephone Company to Revise the Subscriber Plant Factor Surcharge, filed with the Public Service Commission of the District of Columbia (November 6, 1992).

In addition, The D.C. PSC submits that the 1987 revisions to the Separations Manual resulted in increased costs to the District of Columbia because of its unique circumstances. In comments filed with the Federal-State Joint Board, the D.C. PSC stated that C&P estimated that the use of cable and wire expenses to allocate GSF and network support expenses would result in a \$631,000 increase in the District of Columbia revenue requirements. In the Matter of a Program to Monitor the Impact of Joint Board Decisions, CC Docket No. 87-339, Comments of the D.C. PSC at 7-8. C&P also indicated that the increase in central office facilities expense would result in a \$484,000 increase in the District of Columbia revenue requirement. Id. at 8-9. In addition, C&P stated that changes related to Information Origination/Termination expense would result in a \$723,000 increase in the District of Columbia revenue requirement. Id. at 9. Further, C&P estimated that the use of services expenses as a subaccount of customer operations expense increased the District of Columbia revenue requirement related to GSF and network support services by \$1.7 million. Id. at 9-10. Moreover, C&P's data indicated that changes in the business office expenses upon which the GSF allocation is based would increase intrastate revenue requirements by \$6.5 million in the District of Columbia. Id. at 10. Finally, it was estimated that the decision to allocate general and administrative expenses and executive and planning expenses on the same basis as GSF would result in a \$1.6 million increase in the general and administrative expense and \$331,000 of GSF and network support expenses to intrastate revenue requirements in the District of Columbia. Id. at 11-12.

telephone penetration rate in recent years. While in March 1983, the District of Columbia had a 96.1 percent penetration rate, the second highest penetration rate in the country,^{3/} by March 1992, the telephone penetration rate in the District of Columbia dropped to 90.3 percent, a lower penetration rate than 43 of the 50 states. Id. at 25. In fact, during the past nine years, the District of Columbia has experienced the most dramatic decline in telephone penetration rates in the country.

Accordingly, the D.C. PSC urges the FCC to recover GSF costs through means other than assigning GSF costs to common line rate elements because any increase in the rates paid by end users in the District of Columbia could cause this falling penetration rate to continue its downward spiral.

**III. THE D.C. PSC RECOMMENDS THAT THE FCC ESTABLISH
A CONTRIBUTION RATE ELEMENT TO RECOVER GSF COSTS OR
ALLOCATE A PORTION OF GSF COSTS TO BILLING AND COLLECTION**

A. CONTRIBUTION RATE ELEMENT TO RECOVER GSF COSTS

The D.C. PSC recommends that the FCC impose a contribution rate element on special access rates in lieu of assigning GSF costs to common line rate elements. A contribution rate element would support universal service and assure a level playing field for competitors in the special access market. By recovering the costs of GSF from special access customers and carriers, a contribution rate element would support universal service because rates for

^{3/} In the Matter of Establishment of a Program to Monitor the Impact of Joint Board Decisions, CC Docket No. 87-339, Monitoring Report of the Staff of the Federal-State Joint Board in CC Docket No. 286 (July, 1992) at 17.

residential customers would not be increased. The rate element would support a level playing field for competitors because it would ensure that the costs of GSF would be shared by all users of LEC facilities. LEC special access customers would pay the rate directly and competitive access providers would pay the same rate as the LEC special access customers, but would have the opportunity to pass through this cost to their special access customers.

The D.C. PSC recommends that the contribution element be calculated by determining the difference between the special access gross support facilities costs under the current rules and under the proposed new rules. The result of the difference would be the revenue requirement that would be assigned to the contribution element.

B. ALLOCATE A PORTION OF GSF COSTS TO BILLING AND COLLECTION

The D.C. PSC also recommends that the FCC consider allocating a portion of GSF costs to the LECs' billing and collection services.^{4/} The D.C. PSC submits that this allocation would be justified because although the rules do not currently assign any GSF costs to billing and collection, billing and collection services clearly use land, buildings, furniture, office equipment and general support computers. Hence, allocating a portion of GSF costs to billing and collection would eliminate the subsidy that

^{4/} Although the D.C. PSC is not recommending a particular allocator for billing and collection services at this time, the D.C. PSC suggests that the following be considered among possible allocators: (1) buildings that are jointly used for billing and collection and other access services could be allocated on the basis of relative building use, and (2) the relative salaries of employees performing the various tasks.

billing and collection services receive from other services.

IV. CONCLUSION

For the reasons stated, the D.C. PSC recommends that the FCC adopt a contribution rate element to recover GSF costs or allocate a portion of GSF costs to billing and collection services.

Respectfully submitted,

PUBLIC SERVICE COMMISSION
OF THE DISTRICT OF COLUMBIA

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